

## Credit Opinion

30 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> +
Outlook	Stable

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## Jining State-owned Assets Investment Holdings Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Jining State-owned Assets Investment Holdings Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>+, with stable outlook.**

### Summary

The BBB<sub>g</sub>+ long-term credit rating of Jining State-owned Assets Investment Holdings Co., Ltd., ("JNSI" or the "Company") is underpinned by the Company's (1) investment portfolio that are aligned with the government policies and industrial development in Jining City; and (2) good access to funding channels given its state-owned background.

However, the rating is constrained by the Company's (1) credit contagion risks from financial businesses; (2) uncertainties in investment return of fund investment; and (3) modest financial profile with narrow profitability and relatively high debt leverage.

The rating also reflects a high likelihood of government support from the Jining Municipal Government when needed, which is based on the Company's (1) direct ownership and ultimate control by the Finance Bureau of Jining City; (2) clear and solid strategic position of state-owned assets investment and operation in Jining City; and (3) good track record of support from the local government.

The stable outlook on JNSI's rating reflects our expectation that the willingness and ability of the local government to provide support is unlikely to change over the next 12 to 18 months. We also expect the Company to maintain a stable investment strategy and credit profile.

## Rating Drivers

- High likelihood of support from the Jining Municipal Government when needed
- Investment portfolio in line with the government policies and industrial development in Jining City
- Most projects within the investment period, with uncertainties in investment return and exit timing
- Credit contagion risks from financial businesses
- Relatively large revenue contribution from trading business with thin gross profit margin
- Modest financial profile with narrow profitability and relatively high debt leverage
- Relatively high refinancing needs mitigated by good access to funding channels

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the Jining Municipal Government increases indicated by the Company's greater strategic importance or more policy roles in Jining City; (2) the quality of the Company's investment portfolio materially improves, demonstrated by its higher level of asset liquidity and better recurring cash flow; or (3) the Company's credit metrics improve such as lower debt leverage.

### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Jining Municipal Government decreases; (2) the Company materially increases risk exposure to financial businesses; or (3) the Company's credit metrics deteriorate, such as a significant increase in debt burden or a deterioration in liquidity profile.

## Key Indicators

Consolidated Level	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	10.9	18.4	21.4	22.5
Total Equity (RMB billion)	4.1	6.5	9.3	9.8
Total Revenue (RMB billion)	10.5	13.4	14.5	4.2
Net Profits (RMB billion)	0.2	0.3	0.3	0.1
Return on Equity (%)	4.9	4.9	3.2	2.8
Holding Company Level (HoldCo)	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	3.9	6.5	10.1	10.5
Total Equity (RMB billion)	1.2	1.2	2.2	2.2
Return on Equity (%)	-1.5	6.9	-3.1	0.8
Debt/Investment Income (x)	33.1	9.3	22.8	16.6
Cash/Short-term Debt (x)	0.2	0.4	0.9	1.0

All ratios and figures are calculated using CCXAP's adjustments. 2025Q1 ratios are calculated with annualized data.

Source: Company data, CCXAP research

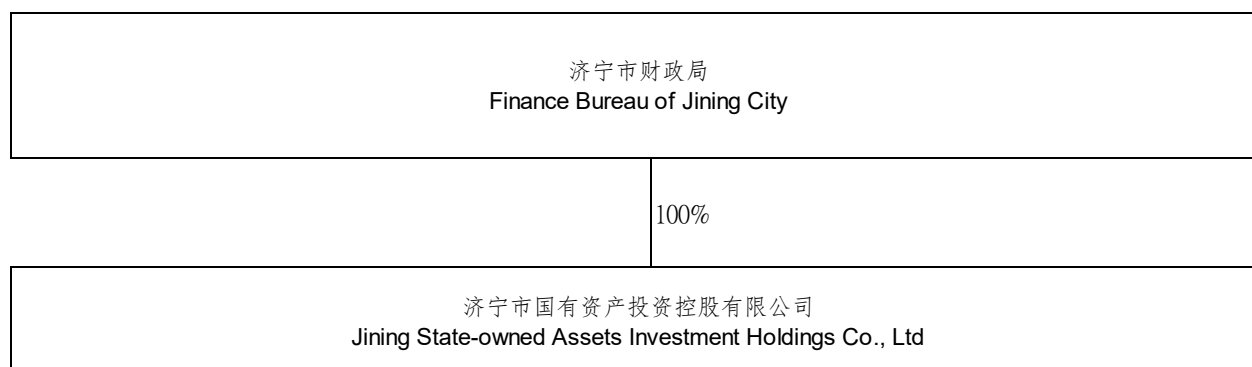
## Corporate Profile

Founded in August 2001, JNSI is an investing holding company that is directly owned and controlled by the Finance Bureau of Jining City. The Company has a high strategic position in supporting regional economic development, local industrial base upgrade, and maximizing the value of the state-owned assets, in accordance with the development blueprint of the Jining Municipal Government. The Company participates in four key business segments, including (1) investment and management, (2) logistic and trade, (3) medical and health,

and (4) modern services. The Company is mainly responsible for supporting industrial development by engaging in fund investment and financial services, and also diversifies to other businesses such as trading, policy-oriented grain storage, as well as medical related business.

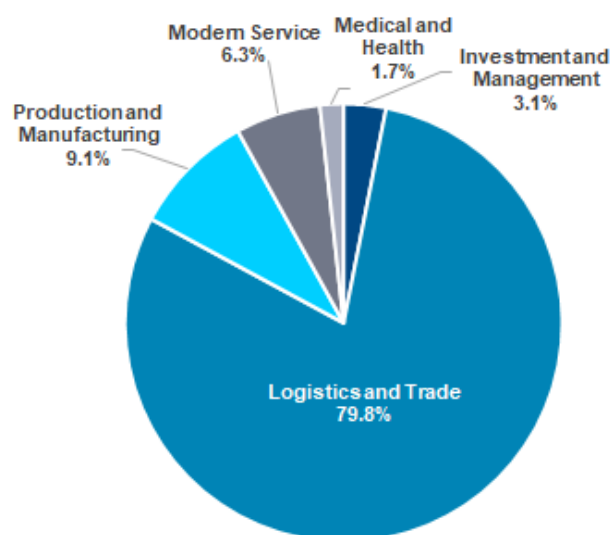
In May 2024, the State-owned Assets Supervision and Administration Commission of Jining Municipal Government transferred its shareholdings in JNSI to Finance Bureau of Jining City. After the transfer, JNSI was 100% owned by the Finance Bureau of Jining City. The Company had total assets of RMB22.5 billion and net assets of RMB9.8 billion as of 31 March 2025.

#### Exhibit 1. Shareholding chart as of 31 March 2025



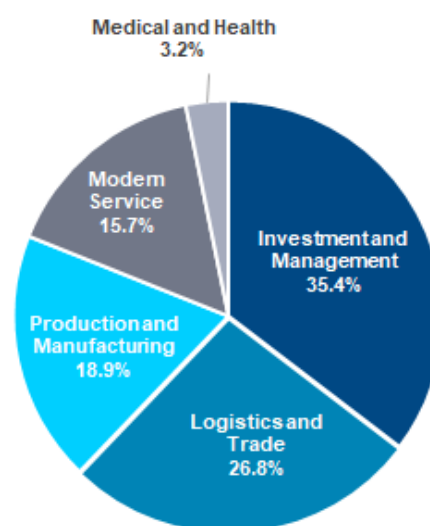
Source: Company information, CCXAP research

#### Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

#### Exhibit 3. Gross profit structure in 2024



## Rating Considerations

### Investment portfolio in line with the government policies and industrial development in Jining City

JNSI is an important municipal state-owned capital investment and operation company in Jining City, with a high strategic position. The Company is entrusted by the local government to cultivate local industrial development by conducting investments and providing diversified financial services. Since its establishment, the local government has transferred several privately held equities and state-owned equities to JNSI,

continuously supporting its business expansion. The Company invests in equities and funds with a prudent and diversified investment strategy.

JNSI conducts fund investment business through its headquarter and key subsidiaries. The Company mainly invests in conventional and new energy conversion funds and industrial investment funds, under the guidance of the local government. For fund investments, JNSI targets to invest in industries that are aligned with the local development such as new materials, medicine, electronic information, and intelligent equipment manufacturing. As of 31 December 2024, the Company participated in 46 funds to conduct government-guided and market-oriented investment in the pillar industries of Jining City, with a total fund size of over RMB14 billion and more than RMB8.4 billion of paid-in capitals. As of the same date, the Company's paid-in amount in these funds was more than RMB1.9 billion.

JNSI adheres to a prudent investment strategy that controls the size of single investment and avoids investing outside Jining City. Its investment activities are supervised by the Finance Bureau of Jining City. For example, major investment decisions of JNSI are required to report to the Finance Bureau of Jining City. The Company also has geographic and information advantages so that it can be easier to obtain quality projects and better monitor project execution.

### **Most projects within the investment period, with uncertainties in investment return and exit timing**

JNSI has good access to quality investments given the support of the Jining Municipal Government. It has invested in several high-quality funds that cover different sectors and companies in Jining City, such as Tongli Tyre Co., Ltd. and Jining Haifu Electronic Technology Co., Ltd. These investments are iconic in promoting the conversion of conventional and new energy and are aligned with the government policies.

However, JNSI has a relatively limited history in exit records as most of the investments are still at the early stage of development and their investment returns are yet to be proven. The Company generally has exit plans for its fund and equity investments at the initial investment stage, such as IPO listing or project repurchases. In terms of investment return, the Company has withdrawn the fund from Jining Longyu Huida Entrepreneurship Center (Limited Partnership) in 2024, with rate of return being 13.1%. In 2024, the Company realized a total investment income of RMB63.9 million, slightly decrease from investment gain of RMB77.6 million last year. Meanwhile, Shandong Superwatt Power Tech Co., Ltd. ("Superwatt Power"), 57% owned by Jining Investment Center Co., Ltd., a subsidiary of JNSI, was successfully listed on the National Equities Exchange and Quotations in April 2024, which will have a positive impact on the Company's future consolidated revenue and investment returns. In 2024, Superwatt Power achieved revenues of RMB521.0 million and net profits of RMB43.0 million.

The return on JNSI's investments is also subject to changes of macroeconomics, industry policy and capital market environment, which may exert higher uncertainties on future return. Most of JNSI's projects are at the initial investment stage which require a long holding period, and the exit of investments is subject to the prevailing conditions in the capital markets and the economy. Moreover, the Company's investment portfolio consists largely of privately held equities and state-owned equities that were freely transferred by the local government, which are considered to be less liquid. The long holding period of investments also exposed the Company to larger investment and execution risk because it may increase the uncertainty on the timing of the project exit.

### **Credit contagion risks from financial businesses**

JNSI provides diversified financial services such as guarantees, small-sum loans, pawning and financial leasing, mainly to the local medium and micro enterprises. The Company's layout in the financial business is gradually improving, forming synergies with its fund investment business, which also diversifies the Company's business risks to a certain extent. However, the Company is exposed to credit contagion risks especially when market conditions of domestic small and medium-sized enterprises are stressed. The Company conducts financial businesses through subsidiaries, namely Jining Caixin Financing Guarantee Group Co., Ltd. ("Caixin Guarantee"), Shandong Huijin Financial Leasing Co., Ltd., Jining City Rencheng District Huixin Microfinance Co., Ltd., and Jining Huicheng Pawn Co., Ltd., adding supplementary income to the Company.

Caixin Guarantee is a local financial guarantor that provides guarantee services to small-to-medium enterprises in Jining City, with a policy aim. It provides services to diverse sectors such as manufacturing, wholesale and retail trade, as well as agriculture. The guarantee business of Caixin Guarantee has grown rapidly since 2021, primarily due to the newly added guarantee projects for small and micro enterprises (SMEs) and entrepreneurial loans by joining the policy-oriented guarantee risk-sharing system. As of 31 December 2024, the outstanding guarantee liabilities of Caixin Guarantee were approximately RMB8.7 billion, up from RMB8.4 billion as of end-2023. Meanwhile, the Company had provision for reserve of around RMB301.4 million. From 2022 to 2024, Caixin Guarantee has made the repayment compensation of RMB121.0 million in total, with a recovered amount of RMB64.2 million. By joining the provincial policy guarantee system, Caixin Guarantee has cooperated with banks and Shandong Financing Guarantee Group Co., Ltd. for guarantee business which helps lower information cost and detach some of the risk exposure. In recent years, Jining Municipal Government has implemented policies such as providing subsidies that are beneficial to Caixin Guarantee's guarantee business. It has received subsidies of RMB27.9 million from the local government in 2024, which could mitigate the compensation loss.

JNSI's other financial services such as financial leasing, small-sum loans, and pawning are still in small scale and recorded low non-performing ratios. Nonetheless, the Company's financial leasing business showed some expansion, with the balance of financial lease contracts reaching RMB577.0 million at the end of 2024, up from RMB398.0 million in 2023. As of 4 July 2024, the non-performing loan ratio of the financial leasing business was 3.1%, with non-performing assets totaling RMB18.0 million, which are fully secured by sufficient collateral to cover the project investment. Moreover, the Company has already filed a lawsuit against the delinquent payees. Considering the current small business scale, we believe that these financial businesses may require financial support from JNSI such as shareholder lending and capital injection to meet business expansion in the near future. The business risk is expected to increase regarding the increasing operation pressure for regional private-owned enterprises during the broad economic downturn.

### **Relatively large revenue contribution from trading business with thin gross profit margin**

JNSI also engages in trading activities, including international and domestic trading. The trading products mainly includes non-ferrous metals, coal, cotton, and grains. The Company's trading business has low price risk as most orders are fulfilled on an on-demand basis and prices are locked. There has been a significant increase in trading revenue in recent years, which accounts for most of the company's income. In 2024, the Company generated revenue of RMB11.4 billion from trading business, accounting for around 79% of the Company's total revenue. However, the trading business only generates limited profit margin, and the international trading business face certain concentration risk due to high concentration of procurement and sales from top 5 suppliers and customers.

Apart from trading, the Company also conduct healthcare businesses such as medical device sales, medical services, clinical testing. JNSI owns two hospitals in Jining City, which generated stable operating revenue of around RMB230.0 million in 2024. As of 31 December 2024, the Company had 2 self-operated healthcare projects under construction, with a total investment of RMB513.0 million, and outstanding amount of RMB95 million.

JNSI also provide a series of modern services in Jining City, which include human resources services, transport services, big data applications, energy conservation and environmental protection, and car sales. These businesses together generated RMB908.0 million of revenue for the Company in 2024 with a gross profit margin of 16.6%, providing supplementary income to the Company.

### **Modest financial profile with narrow profitability and relatively high debt leverage**

JNSI's financial profile is considered modest due to narrow profitability and increasing debt leverage. The Company's income mainly comes from investment and other operating businesses. It has limited profitability, as evidenced by a low average ROE of around 0.8% at the holding company level over the past three years, with a significant source of income from fund and equity investments, with high volatility. Due to higher financing expenses, the net profit at holding company level turns from positive to negative from 2023 to 2024. Furthermore, the Company has an average ROE of 4.3% at consolidated level over the past three years. In addition, the Company demonstrated weak stability in its profitability as the Company's profits are highly linked with its investment income.

Additionally, JNSI has a relatively high debt leverage with rapid growth in debt, driven by its debt-funded business expansion model over the past few years. As of 31 December 2024, it reported a total debt of RMB3.1 billion at holding company level, and a total debt of RMB8.3 billion at consolidated level. It has total capitalization ratio (total debt/total capital) of 59.7% at holding company level, and 46.9% at consolidated level, as of the same date. Moreover, the Finance Bureau of Jining City made a cash injection of RMB545.0 million and a debt-to-equity conversion of RMB442.0 million to the Company's subsidiary in 2024, which increased the Company's capital strength and suppressed its debt leverage. We expect the JNSI will maintain a moderate debt growth over the next 12-18 months according its investment needs.

### **Relative high refinancing needs mitigated by good access to funding channels**

The Company has a relatively high short-term debt burden at consolidated level, with its short-term debt amounted to RMB3.8 billion as of end-2024 at consolidated level, representing 46.0% of its total debt. The Company's short-term debt was RMB526.3 million at holding company level, representing 16.5% of its total debt. Although short-term repayment pressure remained high at consolidated level, the proportion of short-term debt was decreasing from the previous year due to the continuous optimization of the Company's debt maturity structure. At the same time, the Company had unrestricted cash of RMB1.9 billion, after deducting the restricted cash of RMB1.9 billion, which are unable to cover its short-term debt at consolidated level. The Company shows weak liquidity condition, given its unrestricted cash to short-term debt ratio of 0.5x as of end-2024. Overall, the relatively high debt leverage and weak liquidity profile may exert some refinancing pressure on JNSI in the near term.

Nevertheless, the refinancing pressure could be mitigated by its good access to funding channels given its state-owned status. The Company has a sufficient standby liquidity cushion and access to the domestic debt capital market. JNSI has established long-term financing relationships with reliable domestic banks. As of 31 December 2024, the Company had total bank facilities of RMB13.3 billion and undrawn amount of RMB6.9 billion. In

addition, the Company issued four branches of onshore bonds from 2024 to 2025H1, with a total amount of RMB1.4 billion. We also expect that the Company will continue to optimize its debt structure through increasing debt duration, which has been proved over the past three years with decreasing proportion in short-term debt.

## External Support

### High likelihood of support from the Jining Municipal Government

We expect a high likelihood of government support from the Jining Municipal Government to JNSI in times of need. This expectation incorporates our considerations of the Company's (1) direct ownership and ultimate control by the Finance Bureau of Jining City; (2) clear and solid strategic position of state-owned assets investment and operation in Jining City; and (3) good track record of support from the local government, in terms of subsidies, capital injections, and asset transfers.

Jining Municipal Government has very strong capacity to support local state-owned companies, when necessary, reflected by its status as the 6<sup>th</sup> largest prefecture-level city ranked by gross regional production in Shandong Province over the past three years, with improving economic and fiscal strength. In 2024, Jining City reported a GRP of RMB586.8 billion, representing a YoY growth of 5.8%. Jining Municipal Government maintains a high degree of control over JNSI's operations, including performance assessment and the appointment of the board of directors and key management personnel. The Company is one of the major municipal state-owned enterprises, each with clear positioning. The Finance Bureau of Jining City monitors the key investment activities of the Company and participates in the Company's key decision-making processes, including the financing and investment plan. The Company is strictly assessed by the Jining Municipal Government and has to ensure the appreciation of state-owned assets.

The local government has a track record of providing support to JNSI. The local government continuously injected cash, assets, as well as equities of several companies to the Company over the past few years. As of 31 December 2024, the paid-in capital and capital reserve of the Company increased to RMB1.3 billion and RMB1.6 billion as a result of cash injections and debt-to-equity swaps implemented by the Finance Bureau of Jining City. Moreover, the Company received operating subsidies of RMB72.8 million and RMB44.6 million from the local government in 2023 and 2024, respectively. Considering the strong economic and fiscal performance of Jining City as well as the Company's strategic importance in Jining City, the local government has a strong capability and high willingness to support the Company in times of need.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Investment Holding Companies \(December 2016\)](#).



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